

Training Module #7:



Accounting for the Non-Accountant

Introduction

This print module was produced by the Michigan Judicial Institute (MJl) specifically for Michigan Court Support Personnel.

The intent of this print module is to:

1. Introduce basic accounting principles, practices, and terminology as they apply to the court.
2. Identify the need for and the elements of internal controls.
3. Lay out the steps for daily balancing.
4. Lay out the steps for monthly reconciling.
5. Identify steps to take when you do not balance.

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What Is Accounting?

Accounting is a process of gathering financial information and reporting this information to users.

**Why is
accounting
important?**



- ❖ To provide accountability within the system.
- ❖ To document cash flow within the court.
- ❖ To assist you in fulfilling the duties of your job.

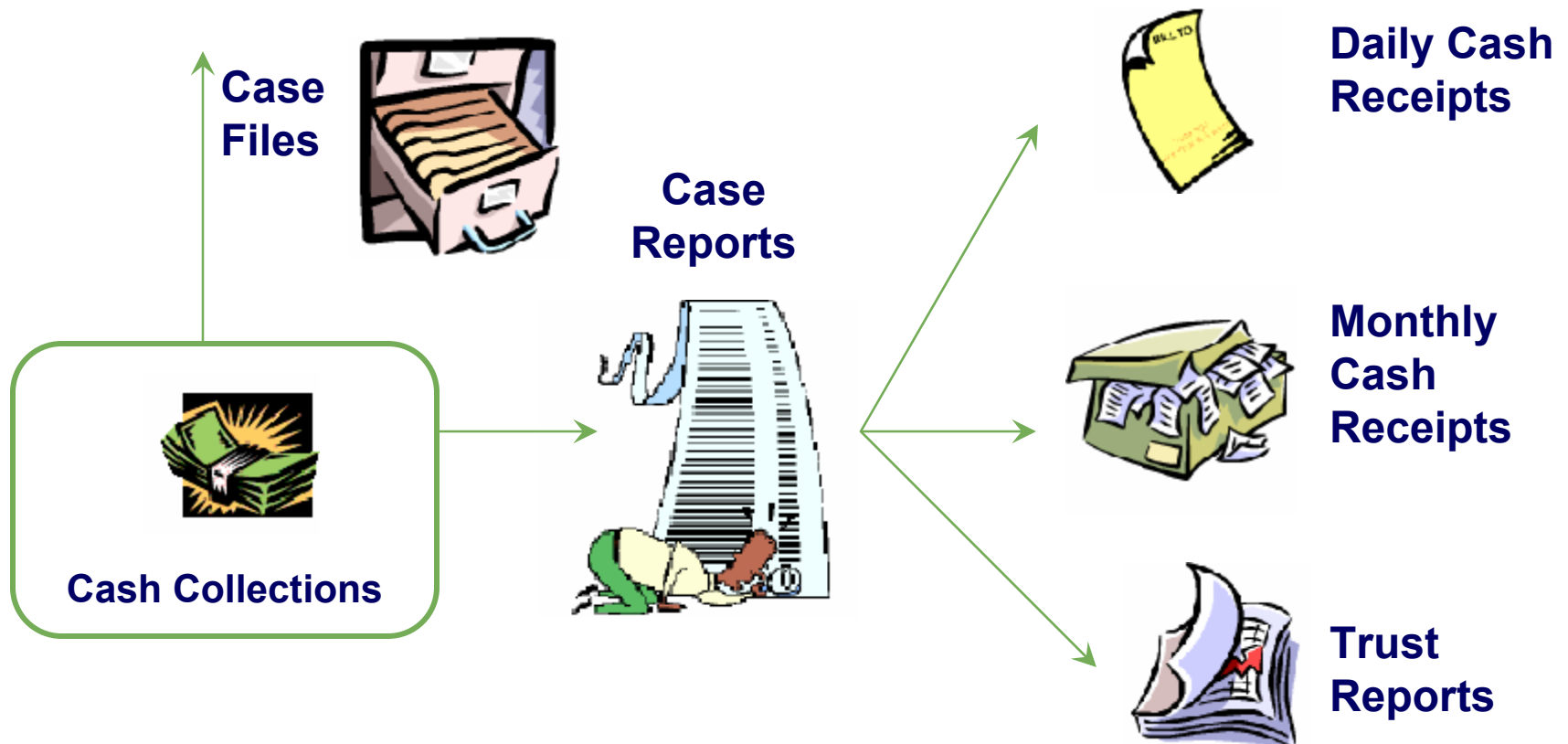
**Manual or
Automated?**



Whether or not computers are used, the accounting concepts and techniques are the same.

How Does Accounting Relate to the Courts?

The receipt and disbursement of all court collections should be properly recorded in an accounting system. The accounting system should provide an audit trail from cash collection to reporting. SOURCE: SCAO Michigan Court Administration Reference Guide Section 6-05



The Accounting Equation

ASSETS

An asset is something of value, such as CASH COLLECTED.

=

LIABILITIES

Liabilities are amounts owed to others, such as the State of Michigan, funding units, etc. This is CASH DISBURSED.

+

CAPITAL

Capital is something seen in the business world.

Courts DO NOT HAVE capital.

This means that courts receive cash payments and route these payments to various agencies. This accounting is critical to the court's success.

Accounting Terminology

Draw a line from the accounting term on the left to the correct meaning on the right.

A. Accounting	1. Documents cash collected by the court.
B. Asset	2. The ability to follow a transaction back to its original source.
C. Audit trail	3. Each cashier should complete this form on a daily basis.
D. Capital	4. Reflects the checks, money orders, and cash amounts collected.
E. Cash reports	5. Something of value, such as cash collected.
F. Daily Balancing Process	6. Reflects the checks, money orders, and cash deposited.
G. Daily Reconciliation Form	7. The function of gathering and recording financial information that supports accountability within the system.
H. Depository Account Statement	8. An amount owed.
I. Liability	9. Equity which a court should NOT have.
J. Shortage	10. When there is more money than what is reflected on paper.
K. Overage	11. When there is less money than what is reflected on paper.

ANSWERS: A-7, B-5, C-2, D-9, E-1, F-4, G-3, H-6, I-8, J-11, K-10

Basic Accounting



The receipt and disbursement of all court collections must be properly recorded in an accounting system, either manual or automated, that provides, unlike the cartoon at left, an accurate source documentation and records of original and final entry. This system should be maintained on a current basis and balanced to subsidiary records monthly.

The following financial management guidelines are to be used for collection, disbursement, and control of court funds. If your court process varies from the information provided here, contact your supervisor for clarification.

Daily Balancing Process

STEP 1. (Individual Cashiers)

- A. Each cashier should count his or her own drawer and prepare an individual “Daily Reconciliation Form” (see page 10) or at least sign or initial the system’s summary receipt report reflecting the checks, money orders, and cash amounts collected.
- B. The checks, money orders, and cash should then be forwarded to the employee who balances the accounting records (hereto referred to as the Court Accountant). This employee should not be involved with opening the mail, receipting payments, or performing the bank reconciliations.

Accountants never grow old, they just lose their balance.



continued on next slide

SOURCE: Michigan State Court Administration Office, “Court Administration Reference Guide”

Daily Balancing Process

STEP 2. (Court Accountant)

Checks, money orders, and cash should be counted by the employee who does the balancing and verifies the money to be deposited to the total per the system.

- A. This process should include verification of total “cash” receipts per the system to actual “cash” counted.
- B. This employee should prepare a “Daily Reconciliation Form” (see page 11) or the system’s summary receipt report as verification that receipts were balanced and any overages/shortages noted.
- C. Overages/shortages should be reported to court management with any significant amounts reported to the Chief Judge in writing.
- D. Receipt numbers should be accounted for with verification of the first number following the last number from the previous day.
- E. Review and account for all voided receipts by verifying the voided receipts per the system to the original voided receipts which then should be attached to daily balancing records.
- F. Review and account for all manual receipts issued, ensuring that they have been entered in to the system.
- G. Review the back of all checks and money orders to be deposited to ensure that they were properly validated. This review should provide verification that the checks and money orders were receipted in to the system.

Daily Balancing Process

STEP 3.

- A. Prepare deposits.

STEP 4.

- A. Balance open bonds and trust funds (restitution, garnishments, etc.) per the automated system to trust account receipts and deposits.
- B. If open bonds do not balance, review for receipting error (bond amount entered incorrectly) or deposit error.
- C. Also review voided receipts, looking for those that change the distribution of a receipt. For example: voiding a prior day receipt for court costs and re-entering as restitution OR voiding a bond forfeiture receipt and reinstating the bond.

STEP 5.

- A. Balance closed bonds and trust funds per the automated system to trust account checks issued.
- B. If closed bonds do not balance, compare amounts of checks issued to closed bonds per system.
- C. Determine that all bonds were appropriately closed on the system and that all check amounts are accurate.

SOURCE: Michigan State Court Administration Office, *"Court Administration Reference Guide"*

Cashier Daily Reconciliation Form

DATE: _____ REGISTER: _____ RECEIPT NO's : _____

CASHIER: _____

TOTAL CASH COUNT

100'S	\$ _____
50'S	\$ _____
20'S	\$ _____
10'S	\$ _____
5'S	\$ _____
1'S	\$ _____
Coins	\$ _____
SUBTOTAL	\$ _____
CHECKS / M.O.	\$ _____
TOTAL	\$ _____
CHARGES	\$ _____
GRAND TOTAL	\$ _____

PER AUTOMATED SYSTEM

Cash	\$ _____
Over / (Short)	\$ _____
TOTAL CASH	\$ _____
Checks / M.O.	\$ _____
Over / (Short)	\$ _____
TOTAL CKS / M.O.	\$ _____

EXPLANATION OF OVERAGE / (SHORTAGE): _____

Court Accountant Reconciliation Form

DATE: _____ RECONCILED BY: _____

TOTAL CASH COUNT

100'S	\$ _____
50'S	\$ _____
20'S	\$ _____
10'S	\$ _____
5'S	\$ _____
1'S	\$ _____
Coins	\$ _____
SUBTOTAL	\$ _____
CHECKS / M.O.	\$ _____
TOTAL	\$ _____
CHARGES	\$ _____
GRAND TOTAL	\$ _____

PER AUTOMATED SYSTEM

Receipts	\$ _____
Over / (Short)	\$ _____
TOTAL RECEIPTS	\$ _____
<u>Depository Receipts</u>	
Depository Rcpts	\$ _____
Over / (Short)	\$ _____
(Charges)	\$ _____
TOTAL	\$ _____
<u>Bond and Trust Receipts</u>	
Bond/Trust Rcpts	\$ _____
TOTAL DEPOSITS	\$ _____

Comments: _____

When You Don't Balance



1. Determine if the cash total or check / money order total is out of balance. If the check / money order total is out of balance, someone probably receipted a check for an incorrect amount. Compare the check and money order receipts to the actual checks and money orders being deposited.
2. Review voided receipts to determine if accounted for properly. How do voided receipts for NSF checks affect the balancing? How do voids of prior day receipts affect the balancing? Were voided receipts re-entered properly?
3. Review and account for manual receipts issued to ensure that they have been properly entered in the automated system.
4. If the difference is divisible by 9, then it could be a transposition error. Review the amounts recorded on the reconciliation reports to determine that they were recorded correctly.
5. Search under, behind, and around cash drawers. for misplaced cash, checks, or money orders.

Monthly Reconciliation Process

(Court Accountant)

- STEP 1: Run the Monthly Cash Receipt's Report used by your court and make any adjustments needed to reconcile the book balance to the bank balance. (NSF, voids, and etc.)
- STEP 2: Run the Cash Adjustments; Case Deletions; and Dispositions and Dismissals Reports. These reports should be reviewed and monitored to ensure that the transactions are proper and justified. These reports should be retained.
- STEP 3: Run the various Bond/Trust Reports; Open, Closed, Account Activity Report and Check Register.
- STEP 4: Run Secretary of State Clearance Report and reconcile to the State of Michigan Report, issue check to disburse receipted or reconciled amounts.
- STEP 5: Prepare the State Transmittal and issue checks for amounts due.
- STEP 6: Reconcile the Depository Bank Statement to your account detail/ check register, detail ledgers or whatever detail you have in place. This is a zero balance account. (Meaning there should be no accumulating balance.)
- STEP 7: Reconcile the Bond/ Trust Bank Statement to your Open Bond/Trust Report.
- STEP 8: Reconcile any other Bank Statements to your account detail records.



Depository Account Statement

For the month of _____, Year _____

Depository Account

Bank Statement Balance \$ _____

Add deposit in transit \$ _____

Add Credit Cards in transit \$ _____

Less outstanding check: _____
(list the check out individually _____
or see attached list) _____ \$ _____

Adjusted Bank Balance \$ _____

Book Balance (Checkbook Balance) \$ _____

Add Interest Earned \$ _____

Less
Bank Service Charges _____
Credit Card Fees _____
NSF Checks _____
(not already adjusted) _____ \$ _____

Adjusted Book balance (Checkbook Balance) \$ _____

Prepared by: _____

Date: _____

Veified: _____

Reconciliation of the Depository Account

For the month of _____, Year _____

Adjusted Check Book Balance \$ _____

Detail of Adjusted Balance

State Of Michigan	_____
SOS Fees	_____
Funding Unit	_____
Overage / (Shortage)	_____
Other	_____

Prepared by: _____
Date: _____
Veified: _____

When Your Monthly Totals Don't Agree

1. Take a coffee break, go back with a fresh mind, and relax. In most cases it is an NSF check not adjusted, voided transactions, void and re-ring, overage or shortage.
2. Review NSF checks to determine if accounted for properly. Determine how “voided transactions” and “void and re-ring” affect the balance. Were overages or shortages included in the reconciliation?
3. For step by step instructions on how to reconcile the bank statement(s) to the court book balance or monthly cash reports see the Michigan Court Administration Reference Guide, Fiscal Management, Section 6-05.

Accounting Word Search

Find the words listed below. Letters may run sideways or up-down, forwards or backwards.
Answers appear on the next slide.

D O C U M E E N T B A N D N R R E D C S O R D A L L E E N C
T R I E S C S M R O F O O B Q D E V E C U L F F C G B O W O
H C L K N E O C O N O I Z G A L R C G P X B H X A R P V T U
S B R A M L N A V D T E M B S S R N O P O K T T B E M E P R
A H L I G M I O I A F I L E N D X V H R S S R O S W H R S T
C A V R M V B A I N C L B O F A E K B K D O I Z T Y N A K C
B I A Q N K T L M T Q G I T B R K V F G H S Z T T A Q G C Q
O N J Q O H I T B T A T R E I H S A C S P P J I N Q L E E K
T O M L E C J R X V C M T N E M E T A T S M V A K J W J H N
D J Q T N X P U E E E C R P B C U N Z F I I U P U M T I C A
X S P O L B H C L C L P A O A F O Y F C T M U L R D M W W B
L Z C B N X U L Q H E P D S F Q L Z S C U I G A N K I N L X
C E I D J G O L H S Y I E M C N V I A S S E C O R P O T A O
R T T I Y C O Q L R J Q P I U U I M E T S Y S D A P H I I K
O G P B S J W K F M R U E T O V G Z R H S X P C S M J L C R
Q W F I U F T F E D E T O K S E M J G F X S L Z T C A M N S
W B M N E I A V G Y V F N U S W T N W Q A L Z W A M X C A H
W N G G Z C E J S K W Y O H G G H T G X S F P Y V S Y R N L
N Y L W L W E X A N C D U R B F Y T L Z D E P E R M I L I C
C H I D A S O R H F J M C G F E Z U A E I P G R K S A M F F
C X X Q Q R U Y B H M D R D N E H F L A C O G I T J G Z A X
A J T G W E S N W L W K B O F T I R X H U T J R F U B S D Z
S M D K I D C C M O G E M U M L K T E H K R O C L I V E Y X
Z A S Y G R J L V Q H P R D W U M D U B A P N A R T D D R S
P Z X G J O I U X Q E A C C O U N T N R E A U N F V P L T W
H O G E A P N I R K E L Q A E G D A U R E T S F Q A U P Y C
T H F I C Z Y X K Y L F G N I T N U O C C A L A T O T G S J
G D J P V Q G B Q V Y F P B J B Z L U I W W K Z T A C W J O
N S Y Y G F O A K Q S I J M I F S K U P S J J Q O G W Y H J
Q S T R O P E R T X N K T J H Z O H H T F T A P C E S Y V Q

ACCOUNT
ACCOUNTING
ACTIVITY
AUDIT
BALANCE
BANK
BOND
CASE
CASH
CASHIER
CHECKS
COLLECTIONS
COURT
DEPOSIT
FILE
FINANCIAL
FORFEITURE
FORMS
INFORMATION
MONEY
OVERAGE
PROCESS
RECEIPT
RECONCILIATION
RECORDS
REPORTS
SHORTAGE
STATEMENT
SUBTOTAL
SYSTEM
TOTAL

Answers to Word Search

(Over,Down,Direction)
ACCOUNT(27,17,S)
ACCOUNTING(21,1,S)
ACTIVITY(18,11,N)
AUDIT(1,17,NE)
BALANCE(8,21,SE)
BANK(26,11,NW)
BOND(14,30,W)
CASE(21,14,W)
CASH(2,7,E)
CASHIER(19,16,W)
CHECKS(19,11,E)
COLLECTIONS(6,12,N)
COURT(5,17,SW)
DEPOSIT(10,3,E)
FILE(10,27,S)
FINANCIAL(9,30,W)
FORFEITURE(8,15,NE)
FORMS(4,3,S)
INFORMATION(10,11,NE)
MONEY(5,20,NW)
ORDERS(17,25,S)
OVERAGE(23,1,SE)
PROCESS(28,7,S)
RECEIPTS(12,12,E)
RECONCILIATION(17,23,E)
RECORDS(29,14,W)
REPORTS(22,1,S)
SHORTAGE(7,1,SE)
STATEMENT(19,13,W)
SUBTOTAL(7,11,SE)
SYSTEM(6,2,W)
TOTAL(3,21,NE)



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